



General Assembly

February Session, 2010

Raised Bill No. 485

LCO No. 2572

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Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

AN ACT CONCERNING TAX FAIRNESS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage and applicable to income years*
2 *commencing on or after January 1, 2010*) (a) For purposes of this section,
3 the combined group's net income shall be the aggregate net income or
4 loss of every taxable member and nontaxable member of the combined
5 group derived from a unitary business, which shall be determined as
6 follows:

7 (1) For any member incorporated in the United States, included in a
8 consolidated federal corporate income tax return, or filing a federal
9 corporate income tax return, the income to be included in calculating
10 the combined group's net income shall be such member's gross
11 income, less the deductions provided under section 12-217 of the
12 general statutes, as amended by this act, as if the member were not
13 consolidated for federal tax purposes.

14 (2) For any member not included in a consolidated federal corporate
15 income tax return but required to file its own federal corporate income
16 tax return, the income to be included in calculating the combined

17 group's net income shall be such member's gross income, less the
18 deductions provided under section 12-217 of the general statutes, as
19 amended by this act.

20 (3) For any member not incorporated in the United States, not
21 included in a consolidated federal corporate income tax return, and not
22 required to file its own federal corporate income tax return, the income
23 to be included in the combined group's net income shall be determined
24 from a profit and loss statement that shall be prepared for each foreign
25 branch or corporation in the currency in which the books of account of
26 the branch or corporation are regularly maintained, adjusted to
27 conform it to the accounting principles generally accepted in the
28 United States for the presentation of such statements and further
29 adjusted to take into account any book-tax differences required by
30 federal or Connecticut law. The profit and loss statement of each such
31 member of the combined group and the apportionment factors related
32 thereto, whether United States or foreign, shall be translated into or
33 from the currency in which the parent company maintains its books
34 and records on any reasonable basis consistently applied on a year-to-
35 year or entity-by-entity basis. Income shall be expressed in United
36 States dollars. In lieu of these procedures and subject to the
37 determination of the commissioner that the income to be reported
38 reasonable approximates income as determined under chapter 208 of
39 the general statutes, income may be determined on any reasonable
40 basis consistently applied on a year-to-year or entity-by-entity basis.

41 (4) If the unitary business has income from an entity that is treated
42 as a pass-through entity, the combined group's net income shall
43 include its member's direct and indirect distributive share of the pass-
44 through entity's unitary business income.

45 (5) All dividends paid by one member to another member of the
46 combined group shall, to the extent those dividends are paid out of the
47 earnings and profits of the unitary business, in the current or an earlier
48 year, be eliminated from the income of the recipient. This provision

49 shall not apply to dividends received from business entities in the
50 unitary business which are not a part of the combined group.

51 (6) Except as otherwise provided by regulation, business income
52 from an intercompany transaction between members of the same
53 combined group shall be deferred in a manner similar to the deferral
54 under 26 CFR 11.1502-13. Upon the occurrence of any of the following
55 events, deferred business income resulting from an intercompany
56 transaction between members of a combined group shall be restored to
57 the income of the seller and shall be included in the combined group's
58 net income as if the seller had earned the income immediately before
59 the event:

60 (A) The object of a deferred intercompany transaction is: (i) Resold
61 by the buyer to an entity that is not a member of the combined group,
62 (ii) resold by the buyer to an entity that is a member of the combined
63 group for use outside the unitary business in which the buyer and
64 seller are engaged, or (iii) converted by the buyer to a use outside the
65 unitary business in which the buyer and seller are engaged.

66 (B) The buyer and seller are no longer members of the same
67 combined group, regardless of whether the members remain unitary.

68 (7) A charitable expense incurred by a member of a combined group
69 shall, to the extent allowable as a deduction pursuant to Section 170 of
70 the Internal Revenue Code, be subtracted first from the combined
71 group's net income, subject to the income limitations of that section
72 applied to the entire business income of the group. Any charitable
73 deduction disallowed under the foregoing rule, but allowed as a
74 carryover deduction in a subsequent year, shall be treated as originally
75 incurred in the subsequent year by the same member and the rules of
76 this section shall apply in the subsequent year in determining the
77 allowable deduction for that year.

78 (8) Gain or loss from the sale or exchange of capital assets, property
79 described by Section 1231(a)(3) of the Internal Revenue Code and

80 property subject to an involuntary conversion shall be removed from
81 the net income of each member of a combined group and shall be
82 included in the combined group's net income as follows:

83 (A) For each class of gain or loss, whether short-term capital, long-
84 term capital, Section 1231 of the Internal Revenue Code gain or loss,
85 and gain or loss from involuntary conversions, all member's business
86 gain and loss for the class shall be combined, without netting between
87 such classes, and each class of net business gain or loss shall be
88 apportioned to each member under subsection (b) of this section.

89 (B) Any resulting income or loss apportioned to this state, as long as
90 the loss is not subject to the limitations of Section 1211 of the Internal
91 Revenue Code, of a taxable member produced by the application of
92 subparagraph (A) of this subdivision shall then be applied to all other
93 income or loss of that member apportioned to this state. Any resulting
94 loss of a member apportioned to this state that is subject to the
95 limitations of said Section 1211 shall be carried forward by that
96 member and shall be treated as short-term capital loss apportioned to
97 this state and incurred by that member for the year for which the
98 carryover applies.

99 (9) Any expense of any member of the combined group which is
100 directly or indirectly attributable to the income of any member of the
101 combined group, which income this state is prohibited from taxing
102 pursuant to the laws or Constitution of the United States, shall be
103 disallowed as a deduction for purposes of determining the combined
104 group's net income.

105 (b) A taxable member of a combined group shall determine its
106 apportionment percentage as follows:

107 (1) Each taxable member shall determine its apportionment
108 percentage based on the otherwise applicable apportionment formula
109 provided in chapter 208 of the general statutes. In computing its
110 denominators for all factors, the taxable member shall use the

111 combined group's denominator for that factor, as provided in
112 subdivision (2) of this subsection. In computing the numerator of its
113 receipts factor, each taxable member shall add to such numerator its
114 share of receipts of nontaxable members assignable to this state, as
115 provided in subdivision (3) of this subsection.

116 (2) The combined group shall determine its property and payroll
117 factor denominators using the factors from all members, whether or
118 not a member would otherwise apportion its income using such
119 property and payroll factors.

120 (3) Receipts assignable to this state of each nontaxable member shall
121 be determined based upon the apportionment formula that would be
122 applicable to such member if it were a taxable member and shall be
123 aggregated. Each taxable member of the combined group shall include
124 in the numerator of its receipts factor a portion of the aggregate
125 receipts assignable to this state of nontaxable members based on a
126 ratio, the numerator of which is such taxable member's receipts
127 assignable to this state, without regard to this subsection, and the
128 denominator of which is the aggregate receipts assignable to this state
129 of all the taxable members of the combined group, without regard to
130 this subsection.

131 (4) In determining the numerator and denominator of the
132 apportionment factors of taxable members, transactions between or
133 among members of such combined group shall be eliminated.

134 (5) If any member of a combined group required to file a combined
135 unitary tax return pursuant to section 12-222 of the general statutes, as
136 amended by this act, is taxable both within and without this state,
137 every taxable member shall be entitled to apportion its net income in
138 accordance with this section.

139 (c) To calculate each taxable member's net income or loss
140 apportioned to this state, each taxable member shall apply its
141 apportionment percentage, as determined pursuant to subsection (b) of

142 this section, to the combined group's net income.

143 (d) After calculating its net income or loss apportioned to this state,
144 pursuant to subsection (c) of this section, each taxable member of a
145 combined group required to file a combined unitary tax return
146 pursuant to section 12-222 of the general statutes, as amended by this
147 act, may deduct a net operating loss from its net income apportioned
148 to this state as follows:

149 (1) For income years beginning on or after January 1, 2010, if the
150 computation of a combined group's net income results in a net
151 operating loss, a taxable member of such group may carry over its net
152 income apportioned to this state, as calculated under subsection (c) of
153 this section, derived from the unitary business in a future income year
154 to the extent that the carryover and deduction is otherwise consistent
155 with subparagraph (A) of subdivision (4) of subsection (a) of section
156 12-217 of the general statutes, as amended by this act. Any taxable
157 member that has more than one operating loss carryover shall apply
158 the carryovers in the order that the operating loss was incurred, with
159 the oldest carryover to be deducted first.

160 (2) Where a taxable member of a combined group has an operating
161 loss carryover derived from a loss incurred by a combined group in an
162 income year beginning on or after January 1, 2010, then the taxable
163 member may share the operating loss carryover with other taxable
164 members of the combined group if such other taxable members were
165 taxable members of the combined group in the income year that the
166 loss was incurred. Any amount of operating loss carryover that is
167 deducted by another taxable member of the combined group shall
168 reduce the amount of operating loss carryover that may be carried
169 over by the taxable member that originally incurred the loss.

170 (3) Where a taxable member of a combined group has an operating
171 loss carryover derived from a loss incurred in an income year
172 beginning prior to January 1, 2010, or derived from an income year
173 during which the taxable member was not a member of such combined

174 group, the carryover shall remain available to be deducted by that
175 taxable member. Such carryover shall be deductible only by the taxable
176 member that incurred the loss and shall not be deductible by any other
177 members of the combined group.

178 (e) Each taxable member shall multiply its income or loss
179 apportioned to this state, as calculated under subsection (c) of this
180 section and as further modified by subsection (d) of this section, by the
181 tax rate set forth in section 12-214 of the general statutes, as amended
182 by this act.

183 (f) The additional tax base of taxable and nontaxable members of a
184 combined group required to file a combined unitary tax return
185 pursuant to section 12-222 of the general statutes, as amended by this
186 act, shall be calculated as follows:

187 (1) Except as otherwise provided in subdivision (2) of this
188 subsection, members of the combined group shall calculate the
189 combined group's additional tax base by aggregating their separate
190 additional tax bases under subsection (a) of section 12-219 of the
191 general statutes, as amended by this act, provided intercorporate
192 stockholdings in the combined group shall be eliminated and provided
193 no deduction shall be allowed under subparagraph (B)(ii) of
194 subdivision (1) of subsection (a) of section 12-219 of the general
195 statutes, as amended by this act, for such intercorporate stockholdings.
196 In calculating the combined group's additional tax base, the separate
197 additional tax bases of nontaxable members shall be included, as if
198 those nontaxable members were taxable members. The amount
199 calculated under this subdivision shall be apportioned to those
200 members pursuant to subdivision (1) of subsection (g) of this section.

201 (2) Members of the combined group that are financial service
202 companies, as defined in section 12-218b of the general statutes, as
203 amended by this act, shall calculate their additional tax liability under
204 subsection (d) of section 12-219 of the general statutes, as amended by
205 this act, and not pursuant to subdivision (1) of this subsection.

206 (g) A taxable member of a combined group required to file a
207 combined unitary tax return pursuant to section 12-222 of the general
208 statutes, as amended by this act, shall determine its apportionment
209 percentage under section 12-219a of the general statutes, as amended
210 by this act, as follows:

211 (1) A taxable member whose separate additional tax base is
212 included in the calculation of the combined group's additional tax base
213 under subdivision (1) of subsection (f) of this section shall apportion
214 the combined group's additional tax base using the otherwise
215 applicable apportionment formula provided in section 12-219a of the
216 general statutes, as amended by this act. However, the denominator of
217 such apportionment fraction shall be the sum of subdivisions (1) and
218 (2) of subsection (a) of said section 12-219a for all taxable members
219 whose separate additional tax bases are included in the calculation of
220 the combined group's additional tax base under subdivision (1) of
221 subsection (f) of this section. The numerator of such apportionment
222 fraction shall be the sum of subparagraph (A) of subdivision (1) of
223 subsection (a) of said section 12-219a and subparagraph (A) of
224 subdivision (2) of subsection (a) of said section 12-219a for such taxable
225 member.

226 (2) Members of the combined group that are financial service
227 companies, as defined in section 12-218b of the general statutes, as
228 amended by this act, shall each have an additional tax liability as
229 described in subdivision (2) of subsection (h) of this section.

230 (h) (1) A taxable member whose separate additional tax base is
231 included in the calculation of the combined group's additional tax base
232 under subdivision (1) of subsection (f) of this section shall multiply the
233 combined group's additional tax base, as calculated under subdivision
234 (1) of subsection (f) of this section, by such member's apportionment
235 fraction determined in subdivision (1) of subsection (g) of this section,
236 by the tax rate set forth in subsection (a) of section 12-219 of the
237 general statutes, as amended by this act. In no event shall a tax credit

238 allowed against the tax imposed by chapter 208 of the general statutes
239 reduce a taxable member's tax calculated under this subsection to an
240 amount less than two hundred fifty dollars.

241 (2) Members of the combined group that are financial service
242 companies, as defined in section 12-218b of the general statutes, as
243 amended by this act, shall each have an additional tax liability of two
244 hundred fifty dollars. In no event shall a tax credit allowed against the
245 tax imposed by chapter 208 of the general statutes reduce a financial
246 service company's tax calculated under this subsection to an amount
247 less than two hundred fifty dollars.

248 (i) Each taxable member of a combined group required to file a
249 combined unitary tax return pursuant to section 12-222 of the general
250 statutes, as amended by this act, shall separately apply the provisions
251 of sections 12-217ee and 12-217zz of the general statutes.

252 Sec. 2. (NEW) (*Effective from passage and applicable to income years*
253 *commencing on or after January 1, 2010*) (a) Upon election by the
254 designated taxable member of a combined group, the combined
255 group's net income, additional tax base and the apportionment factors
256 of each taxable member shall be determined on a world-wide basis. If
257 no such election is made, the combined group's net income, additional
258 tax base and the apportionment factors of each taxable member shall
259 be determined on a water's-edge basis, whereby a nontaxable
260 member's income, additional tax base and attributes that affect each
261 taxable member's apportionment factors shall be included only if the
262 nontaxable member is described in any one or more of the following
263 categories:

264 (1) Any member incorporated in the United States, or formed under
265 the laws of the United States, any state, the District of Columbia, or
266 any territory or possession of the United States; or

267 (2) Any member that earns more than twenty per cent of its income,
268 directly or indirectly, from intangible property or service-related

269 activities, the costs of which generally are deductible for federal
270 income tax purposes, whether currently or over a period of time,
271 against the income of other members of the group, but only to the
272 extent of that income and the apportionment factors related thereto.

273 (b) A world-wide election is effective only if made on a timely-filed,
274 original return for an income year by the designated taxable member
275 of the combined group. Such election is binding for, and applicable to,
276 the income year for which it is made and for the ten immediately
277 succeeding income years.

278 Sec. 3. Subsection (a) of section 12-213 of the general statutes is
279 repealed and the following is substituted in lieu thereof (*Effective from*
280 *passage and applicable to income years commencing on or after January 1,*
281 *2010*):

282 (a) When used in this [part] chapter and in sections 1 and 2 of this
283 act, unless the context otherwise requires:

284 (1) "Taxpayer" and "company" mean any corporation, foreign
285 municipal electric utility, as defined in section 12-59, electric
286 distribution company, as defined in section 16-1, electric supplier, as
287 defined in section 16-1, generation entity or affiliate, as defined in
288 section 16-1, joint stock company or association or any fiduciary
289 thereof and any dissolved corporation which continues to conduct
290 business but does not include a passive investment company or
291 municipal utility, as defined in section 12-265;

292 (2) "Dissolved corporation" means any company which has
293 terminated its corporate existence by resolution, expiration, decree or
294 forfeiture;

295 (3) "Commissioner of Revenue Services" or "commissioner" means
296 the Commissioner of Revenue Services;

297 (4) "Tax year" means the calendar year in which the tax is payable;

298 (5) "Income year" means the calendar year upon the basis of which
299 net income is computed under this part, unless a fiscal year other than
300 the calendar year has been established for federal income tax purposes,
301 in which case it means the fiscal year so established or a period of less
302 than twelve months ending as of the date on which liability under this
303 chapter ceases to accrue by reason of dissolution, forfeiture,
304 withdrawal, merger or consolidation;

305 (6) "Fiscal year" means the income year ending on the last day of
306 any month other than December or an annual period which varies
307 from fifty-two to fifty-three weeks elected by the taxpayer in
308 accordance with the provisions of the Internal Revenue Code;

309 (7) "Paid" means "paid or accrued" or "paid or incurred", construed
310 according to the method of accounting upon the basis of which net
311 income is computed under this part;

312 (8) "Received" means "received" or "accrued", construed according
313 to the method of accounting upon the basis of which net income is
314 computed under this part;

315 (9) (A) "Gross income" means gross income, as defined in the
316 Internal Revenue Code, and, in addition, means any interest or exempt
317 interest dividends, as defined in Section 852(b)(5) of the Internal
318 Revenue Code, received by the taxpayer or losses of other calendar or
319 fiscal years, retroactive to include all calendar or fiscal years beginning
320 after January 1, 1935, incurred by the taxpayer which are excluded
321 from gross income for purposes of assessing the federal corporation
322 net income tax, and in addition, notwithstanding any other provision
323 of law, means interest or exempt interest dividends, as defined in said
324 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the
325 application date, as defined in section 12-242ff, with respect to any
326 obligation issued by or on behalf of the state, its agencies, authorities,
327 commissions and other instrumentalities, or by or on behalf of its
328 political subdivisions and their agencies, authorities, commissions and
329 other instrumentalities;

330 (B) "Gross income" shall not include the amount which for federal
331 income tax purposes is treated as a dividend received by a domestic
332 United States corporation from a foreign corporation on account of
333 foreign taxes deemed paid by such domestic corporation, when such
334 domestic corporation elects the foreign tax credit for federal income
335 tax purposes;

336 (C) "Gross income" shall not include any amount which for federal
337 income tax purposes is treated as a dividend received directly or
338 indirectly by a taxpayer from a passive investment company;

339 (10) "Net income" means net earnings received during the income
340 year and available for contributors of capital, whether they are
341 creditors or stockholders, computed by subtracting from gross income
342 the deductions allowed by the terms of section 12-217, as amended by
343 this act, except that in the case of a domestic insurance company which
344 is a life insurance company "net income" means life insurance
345 company taxable income (A) increased by any amount or amounts
346 which have been deducted in the computation of gain or loss from
347 operations in respect of (i) the life insurance company's share of tax-
348 exempt interest, (ii) operations loss carry-backs and capital loss carry-
349 backs and (iii) operations loss carry-overs and capital loss carry-overs
350 arising in any taxable year commencing prior to January 1, 1973, and
351 (B) reduced by any amount or amounts which have been deducted as
352 operations loss carry-backs or capital loss carry-backs in the
353 computation of gain or loss from operations for any taxable year
354 commencing on or after January 1, 1973, but only to the extent that
355 such amount or amounts, would, for federal tax purposes, have been
356 deductible in the taxable year as operations loss carry-overs or capital
357 loss carry-overs if they had not been deducted in a previous taxable
358 year as carry-backs and provided no expense related to income, the
359 taxation of which by the state of Connecticut is prohibited by the law
360 or Constitution of the United States, as applied, or by the law or
361 Constitution of this state, as applied, shall be deducted under this
362 chapter and provided further no item may, directly or indirectly be

363 excluded or deducted more than once;

364 (11) "Life insurance company" has the same meaning as it has under
365 the Internal Revenue Code;

366 (12) "Life insurance company taxable income" has the same meaning
367 as it has under the Internal Revenue Code;

368 (13) "Life insurance company's share" has the same meaning as it
369 has under the Internal Revenue Code;

370 (14) "Operations loss carry-over", with respect to a life insurance
371 company, has the same meaning as it has under the Internal Revenue
372 Code;

373 (15) "Operations loss carry-back", with respect to a life insurance
374 company, has the same meaning as it has under the Internal Revenue
375 Code;

376 (16) "Capital loss carry-over", with respect to a life insurance
377 company, has the same meaning as it has under the Internal Revenue
378 Code;

379 (17) "Capital loss carry-back", with respect to a life insurance
380 company, has the same meaning as it has under the Internal Revenue
381 Code;

382 (18) "Gain or loss from operations", with respect to a life insurance
383 company, has the same meaning as it has under the Internal Revenue
384 Code;

385 (19) "Fiduciary" means any receiver, liquidator, referee, trustee,
386 assignee or other fiduciary or officer or agent appointed by any court
387 or by any other authority, except the Banking Commissioner acting as
388 receiver or liquidator under the authority of the provisions of sections
389 36a-210 and 36a-218 to 36a-239, inclusive;

390 (20) (A) "Carrying on or doing business" means and includes each

391 and every act, power or privilege exercised or enjoyed in this state, as
392 an incident to, or by virtue of, the powers and privileges acquired by
393 the nature of any organization whether the form of existence is
394 corporate, associate, joint stock company or fiduciary, and includes the
395 direct or indirect engaging in, transacting or conducting of activity in
396 this state by an electric supplier, as defined in section 16-1, or
397 generation entity or affiliate, as defined in section 16-1, for the purpose
398 of establishing or maintaining a market for the sale of electricity or of
399 electric generation services, as defined in section 16-1, to end use
400 customers located in this state through the use of the transmission or
401 distribution facilities of an electric distribution company, as defined in
402 section 16-1, or, until unbundled in accordance with section 16-244e,
403 electric company, as defined in section 16-1;

404 (B) A company that has contracted with a commercial printer for
405 printing and distribution of printed material shall not be deemed to be
406 carrying on or doing business in this state because of (i) the ownership
407 or leasing by that company of tangible or intangible personal property
408 located at the premises of the commercial printer in this state, (ii) the
409 sale by that company of property of any kind produced or processed at
410 and shipped or distributed from the premises of the commercial
411 printer in this state, (iii) the activities of that company's employees or
412 agents at the premises of the commercial printer in this state, which
413 activities relate to quality control, distribution or printing services
414 performed by the printer, or (iv) the activities of any kind performed
415 by the commercial printer in this state for or on behalf of that
416 company;

417 (C) A company that participates in a trade show or shows at the
418 convention center, as defined in subdivision (3) of section 32-600, shall
419 not be deemed to be carrying on or doing business in this state,
420 regardless of whether the company has employees or other staff
421 present at such trade shows, provided such company's activity at such
422 trade shows is limited to displaying goods or promoting services, no
423 sales are made, any orders received are sent outside this state for

424 acceptance or rejection and are filled from outside this state, and
425 provided further that such participation is not more than fourteen
426 days, or part thereof, in the aggregate during the company's income
427 year for federal income tax purposes;

428 (21) "Alternative energy system" means design systems, equipment
429 or materials which utilize as their energy source solar, wind, water or
430 biomass energy in providing space heating or cooling, water heating or
431 generation of electricity, but shall not include wood-burning stoves;

432 (22) "S corporation" means any corporation which is an S
433 corporation for federal income tax purposes and includes any
434 subsidiary of such S corporation that is a qualified subchapter S
435 subsidiary, as defined in Section 1361(b)(3)(B) of the Internal Revenue
436 Code, all of whose assets, liabilities and items of income, deduction
437 and credit are treated under the Internal Revenue Code, and shall be
438 treated under this chapter, as assets, liabilities and such items, as the
439 case may be, of such S corporation;

440 (23) "Internal Revenue Code" means the Internal Revenue Code of
441 1986, or any subsequent internal revenue code of the United States, as
442 from time to time amended, effective and in force on the last day of the
443 income year;

444 (24) "Partnership" means a partnership, as defined in the Internal
445 Revenue Code, and includes a limited liability company that is treated
446 as a partnership for federal income tax purposes;

447 (25) "Partner" means a partner, as defined in the Internal Revenue
448 Code, and includes a member of a limited liability company that is
449 treated as a partnership for federal income tax purposes;

450 (26) "Investment partnership" means a limited partnership that
451 meets the gross income requirement of Section 851(b)(2) of the Internal
452 Revenue Code, except that income and gains from commodities that
453 are not described in Section 1221(1) of the Internal Revenue Code or

454 from futures, forwards and options with respect to such commodities
 455 shall be included in income which qualifies to meet such gross income
 456 requirement, provided such commodities are of a kind customarily
 457 dealt with in an organized commodity exchange and the transaction is
 458 of a kind customarily consummated at such place, as required by
 459 Section 864(b)(2)(B)(iii) of the Internal Revenue Code. To the extent
 460 that such a partnership has income and gains from commodities that
 461 are not described in Section 1221(1) of the Internal Revenue Code or
 462 from futures, forwards and options with respect to such commodities,
 463 such income and gains must be derived by a partnership which is not a
 464 dealer in commodities and is trading for its own account as described
 465 in Section 864(b)(2)(B)(ii) of the Internal Revenue Code. The term
 466 "investment partnership" does not include a dealer, within the
 467 meaning of Section 1236 of the Internal Revenue Code, in stocks or
 468 securities;

469 (27) "Passive investment company" means any corporation which is
 470 a related person to a financial service company, as defined in section
 471 12-218b, as amended by this act, or to an insurance company, as
 472 defined in section 12-218b, as amended by this act, and (A) employs
 473 not less than five full-time equivalent employees in the state; (B)
 474 maintains an office in the state; and (C) confines its activities to the
 475 purchase, receipt, maintenance, management and sale of its intangible
 476 investments, and the collection and distribution of the income from
 477 such investments, including, but not limited to, interest and gains from
 478 the sale, transfer or assignment of such investments or from the
 479 foreclosure upon or sale, transfer or assignment of the collateral
 480 securing such investments. For purposes of this subdivision,
 481 "intangible investments" shall be limited to loans secured by real
 482 property, as defined in section 12-218b, as amended by this act,
 483 including a line of credit which is a loan secured by real property and
 484 which permits future advances by the passive investment company;
 485 the collateral or an interest in the collateral that secured such loans if
 486 the sale of such collateral or interest is actively marketed by or on
 487 behalf of the passive investment company; and any short-term

488 investment of cash held by the passive investment company which
489 cash is reasonably necessary for the operations of such passive
490 investment company; [.]

491 (28) "Combined group" means the group of all persons that have
492 common ownership and are engaged in a unitary business, where at
493 least one person is subject to tax under this chapter;

494 (29) "Combined group's net income" means the amount calculated
495 under subsection (a) of section 1 of this act;

496 (30) "Common ownership" means that not less than fifty per cent of
497 the voting control of each member of a combined group is directly or
498 indirectly owned by a common owner or owners, either corporate or
499 noncorporate, whether or not the owner or owners are members of the
500 combined group. Whether voting control is indirectly owned shall be
501 determined in accordance with Section 318 of the Internal Revenue
502 Code;

503 (31) "Unitary business" means a single economic enterprise that is
504 made up either of separate parts of a single business entity or of a
505 group of business entities under common ownership, which enterprise
506 is sufficiently interdependent, integrated or interrelated through its
507 activities so as to provide mutual benefit and produce a significant
508 sharing or exchange of value among such entities, or a significant flow
509 of value among the separate parts. For purposes of this chapter, (A)
510 any business conducted by a pass-through entity shall be treated as
511 conducted by its members, whether directly held or indirectly held
512 through a series of pass-through entities, to the extent of the member's
513 distributive share of the pass-through entity's income, regardless of the
514 percentage of the member's ownership interest or its distributive or
515 any other share of pass-through entity income, and (B) a business
516 conducted directly or indirectly by one corporation is unitary with that
517 portion of a business conducted by another corporation through its
518 direct or indirect interest in a pass-through entity if there is a mutual
519 benefit and a significant sharing of exchange or flow of value between

520 the two parts of the business and the two corporations are members of
 521 the same group of business entities under common ownership;

522 (32) "Designated taxable member" means, if the combined group has
 523 a common parent corporation and that common parent corporation is
 524 a taxable member, the common parent corporation and, in all other
 525 cases, the taxable member of the combined group that such group
 526 selects, in the manner prescribed by section 12-222, as amended by this
 527 act, as its designated taxable member or, in the discretion of the
 528 commissioner or upon the failure of such group to select its designated
 529 taxable member in the manner prescribed by section 12-222, as
 530 amended by this act, the taxable member of the combined group
 531 selected by the commissioner as the designated taxable member;

532 (33) "Group income year" means, if two or more members in the
 533 combined group file in the same federal consolidated tax return, the
 534 same income year as that used on the federal consolidated tax return
 535 and, in all other cases, the income year of the designated taxable
 536 member;

537 (34) "Nontaxable member" means a combined group member that is
 538 not a taxable member;

539 (35) "Person" means person, as defined in section 12-1;

540 (36) "Taxable member" means a combined group member that is
 541 subject to tax pursuant to this chapter 208;

542 (37) "Pass-through entity" means a partnership, as defined in this
 543 section, or an S corporation, as defined in this section.

544 Sec. 4. Section 12-214 of the 2010 supplement to the general statutes
 545 is amended by adding subsection (c) as follows (*Effective from passage*
 546 *and applicable to income years commencing on or after January 1, 2010*):

547 (NEW) (c) Each taxable member of a combined group required to
 548 file a combined unitary tax return pursuant to section 12-222, as

549 amended by this act, shall calculate such member's tax under
550 subsection (a) of this section, by multiplying such member's net
551 income apportioned to this state, as provided in subsection (c) of
552 section 1 of this act, by the tax rate set forth in this section.

553 Sec. 5. Section 12-217 of the 2010 supplement to the general statutes
554 is amended by adding subsections (e) and (f) as follows (*Effective from*
555 *passage and applicable to income years commencing on or after January 1,*
556 *2010*):

557 (NEW) (e) Where a combined group is required to file a combined
558 unitary tax return pursuant to section 12-222, as amended by this act,
559 the combined group's net income shall be computed as provided in
560 subsection (a) of section 1 of this act.

561 (NEW) (f) Where a combined group is required to file a combined
562 unitary tax return pursuant to section 12-222, as amended by this act, a
563 taxable member's net operating loss apportioned to this state shall be
564 deducted and carried over by the taxable member as provided in
565 subsection (d) of section 1 of this act.

566 Sec. 6. Subsection (b) of section 12-217n of the general statutes is
567 repealed and the following is substituted in lieu thereof (*Effective from*
568 *passage and applicable to income years commencing on or after January 1,*
569 *2010*):

570 (b) For purposes of this section:

571 (1) "Research and development expenses" means research or
572 experimental expenditures deductible under Section 174 of the Internal
573 Revenue Code of 1986, as in effect on May 28, 1993, determined
574 without regard to Section 280C(c) thereof or any elections made by a
575 taxpayer to amortize such expenses on its federal income tax return
576 that were otherwise deductible, and basic research payments as
577 defined under Section 41 of said Internal Revenue Code to the extent
578 not deducted under said Section 174, provided: (A) Such expenditures

579 and payments are paid or incurred for such research and
 580 experimentation and basic research conducted in this state; and (B)
 581 such expenditures and payments are not funded, within the meaning
 582 of Section 41(d)(4)(H) of said Internal Revenue Code, by any grant,
 583 contract, or otherwise by a person or governmental entity other than
 584 the taxpayer unless such other person is included in a combined return
 585 with the person paying or incurring such expenses;

586 (2) "Combined return" shall mean a combined [corporation business
 587 tax return under section 12-223a] unitary tax return under section 12-
 588 222, as amended by this act;

589 (3) "Commissioner" means the Commissioner of Economic and
 590 Community Development;

591 (4) "Qualified small business" means a company that (A) has gross
 592 income for the previous income year that does not exceed one hundred
 593 million dollars, and (B) has not, in the determination of the
 594 commissioner, met the gross income test through transactions with a
 595 related person, as defined in section 12-217w.

596 Sec. 7. Subsection (e) of section 12-217t of the general statutes is
 597 repealed and the following is substituted in lieu thereof (*Effective from*
 598 *passage and applicable to income years commencing on or after January 1,*
 599 *2010*):

600 (e) In the case of taxpayers filing a combined unitary tax return
 601 pursuant to section [12-223a] 12-222, as amended by this act, the credit
 602 provided by this section shall be allowed on a combined basis, such
 603 that the amount of personal property taxes paid by such taxpayers
 604 with respect to such equipment may be claimed as a tax credit against
 605 the combined unitary tax liability of such taxpayers as determined
 606 under this chapter. Credits available to taxpayers which are subject to
 607 tax under this chapter but not subject to tax under chapter 207, 208a,
 608 209, 210, 211 or 212 or the tax imposed on health care centers under the
 609 provisions of section 12-202a shall be used prior to credits of

610 companies included in such combined return which are also subject to
611 tax under said chapter 207, 208a, 209, 210, 211 or 212 or the tax
612 imposed upon health centers pursuant to the provisions of section 12-
613 202a.

614 Sec. 8. Subsection (l) of section 12-217u of the general statutes is
615 repealed and the following is substituted in lieu thereof (*Effective from*
616 *passage and applicable to income years commencing on or after January 1,*
617 *2010*):

618 (l) (1) In the case of a financial institution included in a combined
619 unitary tax return under section [12-223a] 12-222, as amended by this
620 act, a credit allowed under subsection (b) or (f) of this section may be
621 taken against the tax of the combined unitary group. (2) The credit
622 allowed to a financial institution under subsection (b) or (f) of this
623 section may be taken by any corporation which is eligible to elect to
624 file a combined unitary return with a group with which the financial
625 institution is eligible to file a combined unitary return, provided the
626 aggregate credit taken by all such corporations in any income year
627 shall not exceed the aggregate credit for which such group would have
628 been eligible if it had filed a combined unitary return.

629 Sec. 9. Subsection (c) of section 12-217gg of the general statutes is
630 repealed and the following is substituted in lieu thereof (*Effective from*
631 *passage and applicable to income years commencing on or after January 1,*
632 *2010*):

633 (c) (1) For the purposes of this chapter, each constituent corporation
634 shall be deemed to have itself conducted its pro rata share of the
635 business conducted by the sponsor.

636 (2) The pro rata share of the business conducted by the sponsor that
637 shall be deemed to have been conducted by each constituent
638 corporation shall be the same percentage as such constituent
639 corporation's distributive share of the profit or loss of the sponsor for
640 any relevant income year.

641 (3) The limitation of section 12-217zz shall be applied on the return
642 of each constituent corporation or on the combined unitary return filed
643 by two or more constituent corporations.

644 Sec. 10. Subsection (h) of section 12-217gg of the general statutes is
645 repealed and the following is substituted in lieu thereof (*Effective from*
646 *passage and applicable to income years commencing on or after January 1,*
647 *2010*):

648 (h) The credits allowed under this section may be used by
649 constituent corporations joining in a combined [corporation business]
650 unitary tax return under section [12-223a] 12-222, as amended by this
651 act.

652 Sec. 11. Section 12-218 of the general statutes is amended by adding
653 subsection (m) as follows (*Effective from passage and applicable to income*
654 *years commencing on or after January 1, 2010*):

655 (NEW) (m) Each taxable member of a combined group required to
656 file a combined unitary tax return pursuant to section 12-222, as
657 amended by this act, shall, if one or more members of such group are
658 taxable both within and without this state, apportion its net income as
659 provided in subsections (b) and (c) of section 1 of this act.

660 Sec. 12. Section 12-218b of the general statutes is amended by
661 adding subsection (m) as follows (*Effective from passage and applicable to*
662 *income years commencing on or after January 1, 2010*):

663 (NEW) (m) Each financial service company that is a member of a
664 combined group required to file a combined unitary tax return
665 pursuant to section 12-222, as amended by this act, shall apportion its
666 net income as provided in subsections (b) and (c) of section 1 of this
667 act.

668 Sec. 13. Subsection (c) of section 12-218c of the general statutes is
669 repealed and the following is substituted in lieu thereof (*Effective from*
670 *passage and applicable to income years commencing on or after January 1,*

671 2010):

672 (c) (1) The adjustments required in subsection (b) of this section
 673 shall not apply if the corporation establishes by clear and convincing
 674 evidence that the adjustments are unreasonable, or the corporation and
 675 the Commissioner of Revenue Services agree in writing to the
 676 application or use of an alternative method of apportionment under
 677 section 12-221a, as amended by this act. Nothing in this subdivision
 678 shall be construed to limit or negate the commissioner's authority to
 679 otherwise enter into agreements and compromises otherwise allowed
 680 by law.

681 (2) The adjustments required in subsection (b) of this section shall
 682 not apply to such portion of interest expenses and costs and intangible
 683 expenses and costs that the corporation can establish by the
 684 preponderance of the evidence meets both of the following: (A) The
 685 related member during the same income year directly or indirectly
 686 paid, accrued or incurred such portion to a person who is not a related
 687 member, and (B) the transaction giving rise to the interest expenses
 688 and costs or the intangible expenses and costs between the corporation
 689 and the related member did not have as a principal purpose the
 690 avoidance of any portion of the tax due under this chapter.

691 (3) The adjustments required in subsection (b) of this section shall
 692 apply except to the extent that increased tax, if any, attributable to such
 693 adjustments would have been avoided if both the corporation and the
 694 related member had been eligible to make and had timely made the
 695 election to file a combined return under subsection (a) of section 12-
 696 223a, as amended by this act.

697 (4) The adjustments required in subsection (b) of this section shall
 698 apply except to the extent that the corporation and the related member
 699 are both members of a combined group required to file a combined
 700 unitary tax return pursuant to section 12-222, as amended by this act.

701 Sec. 14. Subsection (d) of section 12-218d of the general statutes is

702 repealed and the following is substituted in lieu thereof (*Effective from*
703 *passage and applicable to income years commencing on or after January 1,*
704 *2010*):

705 (d) The adjustments required in subsection (b) of this section shall
706 not apply [if] in any of the following circumstances:

707 (1) [the] The corporation establishes by clear and convincing
708 evidence, as determined by the commissioner, that the adjustments are
709 unreasonable. [,]

710 (2) [the] The corporation and the commissioner agree in writing to
711 the application or use an alternative method of determining the
712 combined measure of the tax, provided that the Commissioner of
713 Revenue Services shall consider approval of such petition only in the
714 event that the petitioners have clearly established to the satisfaction of
715 said commissioner that there are substantial intercorporate business
716 transactions among such included corporations and that the proposed
717 alternative method of determining the combined measure of the tax
718 accurately reflects the activity, business, income or capital of the
719 taxpayers within the state. [, or]

720 (3) [the] The corporation elects, on forms authorized for such
721 purpose by the commissioner, to calculate its tax on a unitary basis
722 including all members of the unitary group provided that there are
723 substantial intercorporate business transactions among such included
724 corporations. Such election to file on a unitary basis shall be
725 irrevocable for and applicable for five successive income years, but
726 shall not be applicable to income years commencing on or after
727 January 1, 2010. Nothing in this subdivision shall be construed to limit
728 or negate the commissioner's authority to otherwise enter into
729 agreements and compromises otherwise allowed by law.

730 (4) The corporation and the related member are both members of a
731 combined group required to file a combined unitary tax return
732 pursuant to section 12-222, as amended by this act.

733 Sec. 15. Section 12-219 of the 2010 supplement to the general statutes
734 is amended by adding subsection (e) as follows (*Effective from passage*
735 *and applicable to income years commencing on or after January 1, 2010*):

736 (NEW) (e) The additional tax base of taxable and nontaxable
737 members of a combined group required to file a combined unitary tax
738 return pursuant to section 12-222, as amended by this act, shall be
739 calculated as provided in subsection (f) of section 1 of this act.

740 Sec. 16. Section 12-219a of the general statutes is amended by adding
741 subsection (d) as follows (*Effective from passage and applicable to income*
742 *years commencing on or after January 1, 2010*):

743 (NEW) (d) The additional tax base of taxable and nontaxable
744 members of a combined group required to file a combined unitary tax
745 return pursuant to section 12-222, as amended by this act, shall be
746 apportioned as provided in subsection (g) of section 1 of this act.

747 Sec. 17. Section 12-221a of the general statutes is amended by adding
748 subsection (c) as follows (*Effective from passage and applicable to income*
749 *years commencing on or after January 1, 2010*):

750 (NEW) (c) The provisions of this section shall also apply to a
751 combined group required to file a combined unitary tax return
752 pursuant to section 12-222, as amended by this act.

753 Sec. 18. Section 12-222 of the general statutes is amended by adding
754 subsection (g) as follows (*Effective from passage and applicable to income*
755 *years commencing on or after January 1, 2010*):

756 (NEW) (g) (1) A combined group shall file a combined unitary tax
757 return under this chapter in the form and manner prescribed by the
758 Commissioner of Revenue Services. The designated taxable member of
759 a combined group shall file the combined unitary tax return on behalf
760 of the taxable members of the combined group and shall pay the tax on
761 behalf of such taxable members. A designated taxable member shall
762 not be liable to, and shall be entitled to recover a payment made

763 pursuant to this subdivision from, the taxable member on whose
764 behalf the payment was made.

765 (2) If a member of a combined group has a different income year
766 than the group income year, such member with a different income year
767 shall report amounts from its return for its income year that ends
768 during the group income year, provided no such reporting of amounts
769 shall be required of such member until its first income year beginning
770 on or after January 1, 2010.

771 (3) Notwithstanding the provisions of subdivision (1) of this
772 subsection, each taxable member of a combined group is jointly and
773 severally liable for the tax due from any taxable member under this
774 chapter, whether or not such tax has been self-assessed, and for any
775 interest, penalties or additions to tax due from any taxable member
776 under this chapter.

777 (4) In all cases where a combined group is eligible to select the
778 designated taxable member of the combined group, notice of the
779 selection must be submitted in written form to the commissioner not
780 later than the due date, or, if an extension of time to file has been
781 requested and granted, the extended due date of the combined unitary
782 tax return for the initial income year that such a return is required. The
783 subsequent selection of another designated taxable member shall be
784 subject to the approval of the commissioner.

785 (5) For purposes of this chapter, the designated taxable member is
786 authorized to do the following acts on behalf of taxable and nontaxable
787 members of the combined group, including, but not limited to: (A)
788 Signing the combined unitary tax return, including any amendments
789 thereto; (B) applying for extensions of time to file the return; (C) before
790 the expiration of the time prescribed in section 12-233 for the
791 examination of the return or the assessment of tax, consenting to an
792 examination or assessment after such time and prior to the expiration
793 of the period agreed upon; (D) making offers of compromise under
794 section 12-2d; (E) entering into closing agreements under section 12-2e;

795 and (F) receiving a refund or credit of a tax overpayment under this
796 chapter.

797 (6) For purposes of this chapter, the commissioner may, at the
798 commissioner's sole discretion: (A) Send any notice to either the
799 designated taxable member or a taxable member or members of the
800 combined group; (B) make any deficiency assessment against either the
801 designated taxable member or a taxable member or members of the
802 combined group; (C) refund or credit any overpayment to either the
803 designated taxable member or a taxable member or members of the
804 combined group; (D) require any payment to be made by electronic
805 funds transfer; and (E) require the combined unitary tax return to be
806 electronically filed.

807 Sec. 19. Section 12-223a of the general statutes is amended by adding
808 subsection (e) as follows (*Effective from passage and applicable to income*
809 *years commencing on or after January 1, 2010*):

810 (NEW) (e) The provisions of this section shall not apply to income
811 years commencing on or after January 1, 2010.

812 Sec. 20. Section 12-223b of the general statutes is repealed and the
813 following is substituted in lieu thereof (*Effective from passage and*
814 *applicable to income years commencing on or after January 1, 2010*):

815 (a) Intercompany rents shall not be included in the computation of
816 the value of property rented as a property factor in the apportionment
817 fraction if the lessor and lessee are included in a combined return as
818 provided in section 12-223a, as amended by this act.

819 (b) Intercompany business receipts, receipts by a corporation
820 included in a combined return under section 12-223a, as amended by
821 this act, from any other corporation included in such return, shall not
822 be included in the computation of the receipts factor of the
823 apportionment fraction.

824 Sec. 21. Section 12-223c of the general statutes is repealed and the

825 following is substituted in lieu thereof (*Effective from passage and*
826 *applicable to income years commencing on or after January 1, 2010*):

827 Each corporation included in a combined return under section 12-
828 223a, as amended by this act, shall pay the minimum tax of two
829 hundred fifty dollars prescribed under section 12-219, as amended by
830 this act. No tax credit allowed against the tax imposed by this chapter
831 shall reduce an included corporation's tax calculated under section 12-
832 219, as amended by this act, to an amount less than two hundred fifty
833 dollars.

834 Sec. 22. Section 12-223e of the general statutes is repealed and the
835 following is substituted in lieu thereof (*Effective from passage and*
836 *applicable to income years commencing on or after January 1, 2010*):

837 If revision shall be made of a combined return under section 12-
838 223a, as amended by this act, for the purpose of the tax of two or more
839 corporations, or of an assessment based upon such a return, the
840 Commissioner of Revenue Services shall have power to readjust the
841 taxes of each taxpayer included in such return, or, if revision is made
842 of a return or an assessment against a taxpayer which might have been
843 included in a combined return when the tax was originally reported or
844 assessed, the Commissioner of Revenue Services shall have power to
845 resettle the tax against such taxpayer and any other taxpayers which
846 might have been included in such report upon a combined basis, and
847 shall adjust the taxes of each such taxpayer accordingly.

848 Sec. 23. Section 12-223f of the 2010 supplement to the general
849 statutes is repealed and the following is substituted in lieu thereof
850 (*Effective from passage and applicable to income years commencing on or after*
851 *January 1, 2010*):

852 (a) Notwithstanding the provisions of sections 12-223a to 12-223e,
853 inclusive, as amended by this act, the tax due in relation to any
854 corporations which have filed a combined return for any income year
855 with other corporations for the tax imposed under this chapter in

856 accordance with section 12-223a, as amended by this act, shall be
 857 determined as follows: (1) The tax which would be due from each such
 858 corporation if it were filing separately under this chapter shall be
 859 determined, and the total for all corporations included in the combined
 860 return shall be added together; (2) the tax which would be jointly due
 861 from all corporations included in the combined return in accordance
 862 with the provisions of said sections 12-223a to 12-223e, inclusive, as
 863 amended by this act, shall be determined; and (3) the total determined
 864 pursuant to subdivision (2) of this section shall be subtracted from the
 865 amount determined pursuant to subdivision (1) of this section. The
 866 resulting amount, in an amount not to exceed five hundred thousand
 867 dollars, shall be added to the amount determined to be due pursuant
 868 to said sections 12-223a to 12-223e, inclusive, as amended by this act,
 869 and shall be due and payable as a part of the tax imposed pursuant to
 870 this chapter.

871 (b) The provisions of this section shall not apply to income years
 872 commencing on or after January 1, 2010.

873 Sec. 24. Section 12-242d of the general statutes is amended by
 874 adding subsection (j) as follows (*Effective from passage and applicable to*
 875 *income years commencing on or after January 1, 2010*):

876 (NEW) (j) (1) The provisions of this section shall apply to taxable
 877 members of a combined group required to file a combined unitary tax
 878 return pursuant to section 12-222, as amended by this act, except as
 879 otherwise provided in subdivisions (3) and (4) of this subsection.

880 (2) The designated taxable member of a combined group shall be
 881 responsible for paying estimated tax installments, at the times and in
 882 the amounts specified in this section, on behalf of the taxable members
 883 of the combined group and in the form and manner prescribed by the
 884 Commissioner of Revenue Services.

885 (3) For combined groups whose 2010 group income year
 886 commences on January, February or March, the due date of the first

887 required installment is extended to the due date of the second required
888 installment. The due date for the first and second required installments
889 of estimated tax for a combined group whose 2010 group income year
890 commences on January shall be June 15, 2010, and the amount of the
891 first and second required installments shall be seventy per cent of the
892 required annual payment. The due date for the first and second
893 required installments of estimated tax for a combined group whose
894 2010 group income year commences on February shall be July 15, 2010,
895 and the amount of the first and second required installments shall be
896 seventy per cent of the required annual payment. The due date for the
897 first and second required installments of estimated tax for a combined
898 group whose 2010 group income year commences on March shall be
899 August 15, 2010, and the amount of the first and second required
900 installments shall be seventy per cent of the required annual payment.

901 (4) Notwithstanding the provisions of subsection (e) of this section,
902 where the preceding income year, as the term is used in said
903 subsection, is an income year commencing on or after January 1, 2009,
904 but prior to January 1, 2010, the required annual payment of a
905 combined group is the lesser of (A) ninety per cent of the tax shown on
906 the combined unitary tax return for the group income year
907 commencing on or after January 1, 2010, but prior to January 1, 2011,
908 or, if no return is filed, ninety per cent of the tax for such year
909 computed in accordance with section 1 of this act, or (B) (i) if such
910 preceding income year was an income year of twelve months and if the
911 taxable members filed separate returns for such preceding income year
912 showing a liability for tax, the sum of one hundred per cent of the tax
913 shown on each such return for such preceding income year of each
914 such taxable member, without regard to any credit under chapter 208,
915 or (ii) if the preceding income year was an income year of twelve
916 months and if the taxable members filed a return pursuant to section
917 12-223a, as amended by this act, for such preceding income year
918 showing a liability for tax, one hundred per cent of the tax shown on
919 such return for such preceding income year, without regard to any
920 credit under chapter 208.

921 Sec. 25. Subsection (k) of section 38a-88a of the general statutes is
 922 repealed and the following is substituted in lieu thereof (*Effective from*
 923 *passage and applicable to income years commencing on or after January 1,*
 924 *2010*):

925 (k) (1) The Commissioner of Revenue Services may treat one or
 926 more corporations that are properly included in a combined
 927 [corporation business] unitary tax return under section [12-223] 12-222,
 928 as amended by this act, as one taxpayer in determining whether the
 929 appropriate requirements under this section are met. Where
 930 corporations are treated as one taxpayer for purposes of this
 931 subsection, then the credit shall be allowed only against the amount of
 932 the combined unitary tax for all corporations properly included in a
 933 combined unitary return that, under the provisions of subdivision (2)
 934 of this subsection, is attributable to the corporations treated as one
 935 taxpayer. (2) The amount of the combined unitary tax for all
 936 corporations properly included in a combined [corporation business]
 937 unitary tax return that is attributable to the corporations that are
 938 treated as one taxpayer under the provisions of this subsection shall be
 939 in the same ratio to such combined unitary tax that the net income
 940 apportioned to this state of each corporation treated as one taxpayer
 941 bears to the net income apportioned to this state, in the aggregate, of
 942 all corporations included in such combined unitary return. Solely for
 943 the purpose of computing such ratio, any net loss apportioned to this
 944 state by a corporation treated as one taxpayer or by a corporation
 945 included in such combined unitary return shall be disregarded.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|---|-------------|
| Section 1 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | New section |
|-----------|---|-------------|

| | | |
|---------|---|-------------|
| Sec. 2 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | New section |
| Sec. 3 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-213(a) |
| Sec. 4 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-214 |
| Sec. 5 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217 |
| Sec. 6 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217n(b) |
| Sec. 7 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217t(e) |
| Sec. 8 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217u(l) |
| Sec. 9 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217gg(c) |
| Sec. 10 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-217gg(h) |
| Sec. 11 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-218 |

| | | |
|---------|---|------------|
| Sec. 12 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-218b |
| Sec. 13 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-218c(c) |
| Sec. 14 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-218d(d) |
| Sec. 15 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-219 |
| Sec. 16 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-219a |
| Sec. 17 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-221a |
| Sec. 18 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-222 |
| Sec. 19 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-223a |
| Sec. 20 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-223b |
| Sec. 21 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-223c |

| | | |
|---------|---|------------|
| Sec. 22 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-223e |
| Sec. 23 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-223f |
| Sec. 24 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 12-242d |
| Sec. 25 | <i>from passage and applicable to income years commencing on or after January 1, 2010</i> | 38a-88a(k) |

Statement of Purpose:

To enhance the equity and effectiveness of the corporation business tax by instituting a combined unitary tax.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]